

CITY OF GRINNELL, IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

CITY OF GRINNELL, IOWA
Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 6
Governmental Funds Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 8
Proprietary Funds Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 10
Notes to Financial Statements	11
OTHER INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	22
Notes to Other Information - Budgetary Reporting	23
SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 24
Schedule of Indebtedness	2 26
Bond and Note Maturities	3 27
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4 28
Schedule of Expenditures of Federal Awards	5 30
COMMENTS AND RECOMMENDATIONS:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	32
Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	34
Schedule of Findings and Questioned Costs	36

CITY OF GRINNELL, IOWA
OFFICIALS
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2014)		
Gordon Canfield	Mayor	January, 2014
James White	Council Member	January, 2014
Oliva Wright	Council Member	January, 2014
Jo Wray	Council Member	January, 2016
Rachel Bly	Council Member	January, 2014
Sondra Burnell	Council Member	January, 2016
Byron Hueftle-Worley	Council Member	January, 2016
Russell Behrens	City Manager	Appointed
P. Kay Cmelik	City Clerk/Finance Director	Appointed
William Sueppel	City Attorney	Appointed
(After January, 2014)		
Gordon Canfield	Mayor	January, 2016
James White	Council Member	January, 2018
Julie Hansen	Council Member	January, 2018
Jo Wray	Council Member	January, 2016
Rachel Bly	Council Member	January, 2018
Sondra Burnell	Council Member	January, 2016
Byron Hueftle-Worley	Council Member	January, 2016
Russell Behrens	City Manager	Appointed
P. Kay Cmelik	City Clerk/Finance Director	Appointed
William Sueppel	City Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Grinnell's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2013 (none of which are presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2007 (none of which are presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

The supplementary information included in page 1 and pages 24 through 31, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information, on pages 5 through 5f and 22 through 23 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2014 on our consideration of the City of Grinnell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Grinnell's internal control over financial reporting and compliance.

Grinnell, Ben, Kyhn & Co., P.C.

Atlantic, Iowa
November 13, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Grinnell has prepared the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the Government-wide Financial Statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position are divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, solid waste, and storm sewer activities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These funds focus on how money flows into and out of the funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, solid waste and storm sewer. The water, sewer, solid waste, and storm sewer funds are considered to be major enterprise funds of the city.

The required financial statement for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's balance for governmental activities increased approximately \$2,838,000 from a year ago. The analysis that follows focuses on the cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2014	2013
Receipts		
Program Receipts		
Charges for Service	\$789	\$745
Operating Grants	1,117	1,186
Capital Grants	2,222	1,251
General Receipts		
TIF	1,699	1,725
Property Tax	3,835	3,766
Debt Proceeds	4,009	--
Other General Receipts	1,472	2,189
Total Receipts	15,143	10,862
Disbursements		
Public Safety	1,741	1,721
Public Works	1,645	1,277
Health and Social Services	1	2
Culture and Recreation	1,093	1,081
Community and Economic Development	1,082	1,232
General Government	1,417	1,365
Debt Service	1,810	1,828
Capital projects	4,277	1,801
Total Disbursements	13,066	10,307
Change in Cash Basis Net Position Before Transfers	2,077	555
Transfers, net	761	201
Change in Cash Basis Net Position	2,838	756
Cash Basis Net Position Beginning of Year	6,376	5,620
Cash Basis Net Position End of Year	9,214	\$6,376

The City's total receipts for governmental activities increased 39.4% or approximately \$4,281,000. The total cost of all programs and services increased by approximately 26.8% or approximately \$2,759,000, due to an increase in capital project expenditures.

The cost of all governmental activities this year was approximately \$13,066,000 compared to approximately \$10,307,000 last year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2014	2013
Receipts		
Program Receipts		
Charges for Service		
Water	\$1,409	\$1,311
Sewer	1,584	1,485
Solid waste	1,158	1,060
Storm sewer	287	266
	4,438	4,122
General Receipts		
Other General Receipts	201	153
Total Receipts	4,639	4,275
Disbursements		
Water	1,419	1,195
Sewer	1,218	1,205
Solid waste	956	883
Storm sewer	215	157
Total Disbursements	3,808	3,440
Change in Cash Basis Net Position Before Transfers	831	835
Transfers, net	(761)	(201)
Change in Cash Basis Net Position	70	634
Cash Basis Net Position - Beginning of Year	2,503	1,869
Cash Basis Net Position - End of Year	2,573	\$2,503

Total business type activities receipts for the fiscal year were approximately \$4,639,000 compared to approximately \$4,275,000 last year. The cash balance increased by approximately 2.8% or \$70,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by approximately 25.5% to a total of approximately \$4,569,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Grinnell completed the year, its governmental funds reported a combined fund balance of \$9,214,097, an increase of \$2,838,162 from last year's total of \$6,375,935. The following are changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$141,915 from the prior year to \$1,123,275.
- The Equipment Replacement Fund cash balance increased by \$376,612 to \$2,393,125.
- The Urban Renewal Tax Increment Fund cash balance decreased \$72,572 to \$197,875.
- The Employee Benefit Fund cash balance increased \$154,071 to \$350,702.
- The Debt Service Fund cash balance decreased \$1,224 to \$140,143.
- The Capital Projects Fund cash balance increased by \$2,475,369 to \$3,361,857

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$6,279 to \$293,078.
- The Sewer Fund cash balance decreased by \$175,097 to \$1,164,194.
- The Solid Waste cash balance increased by \$138,936 to \$350,373.
- The Storm Sewer cash balance increased by \$99,843 to \$765,482.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, which increased budgeted disbursements by \$190,330. The budget increase was primarily for disbursements in the community and economic development, general government, and capital projects functions.

The City's total receipts and disbursements were less than budgeted by \$2,089,401 and \$3,350,306, respectively. The City's disbursements were less than amounts budgeted for all of the functions.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$17,337,547 in bonds and other long-term debt, compared to \$15,235,073 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General Obligation Notes and Bonds	\$17,008	\$14,365
Revenue Notes	330	870
Total	\$17,338	\$15,235

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. The Constitution of the State of Iowa Limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$17,007,547 is below its constitutional debt limit by approximately \$7,540,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Grinnell elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities.

The Local Options Sales and Service Tax have allowed Grinnell to complete and pursue some large capital projects i.e. Drake Community Library Project, Public Safety Building Project and Grinnell Mutual Family Aquatic Center Project. These revenues allow us to abate the General Obligation Bonds Principal and Interest rather than raising the debt service levy.

The City of Grinnell will begin collecting a 1% franchise fee on gas and electric utilities beginning in October 2014. In January 2016, the gas and electric fee will increase to 4%, which is expected to generate approximately \$495,000 annually and recorded in the General Fund. These fees were implemented to offset future property tax losses anticipated by the property tax reform approved by the Iowa Legislature in FY 2014.

We will also see the Tax Increment Financing dollars being utilized to assist with the continuation of the Central Business District phases of development; TIF Rebate Agreements and future economic development projects.

The Sewer rates will likely see some increases over the next few years due to the required improvements to our wastewater treatment plant. The new Storm Water Utility will provide for future capital projects to daily operations which lessen the burden to the sanitary sewer fund as well as the general fund.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact P. Kay Cmelik, City Clerk, Grinnell, Iowa.

CITY OF GRINNELL, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2014

		Program Receipts	
		Charges for	Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Service</u>	
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,740,853	\$ 58,233	\$ 4,842
Public works	1,645,328	72,658	933,489
Health and social services	1,000	--	--
Culture and recreation	1,093,433	425,758	80,833
Community and economic development	1,081,742	207,842	86,337
General government	1,416,547	24,105	11,397
Debt service	1,809,633	--	--
Capital projects	4,277,032	--	--
Total governmental activities	<u>13,065,568</u>	<u>788,596</u>	<u>1,116,898</u>
Business type activities:			
Water	1,419,518	1,409,425	--
Sewer	1,217,681	1,583,842	32,615
Solid waste	956,022	1,158,103	27,010
Storm sewer	214,905	286,827	--
Total business type activities	<u>3,808,126</u>	<u>4,438,197</u>	<u>59,625</u>
Total	<u>\$ 16,873,694</u>	<u>\$ 5,226,793</u>	<u>\$ 1,176,523</u>
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Hotel motel tax			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ (1,677,778)	\$ --	\$ (1,677,778)
--	(639,181)	--	(639,181)
--	(1,000)	--	(1,000)
--	(586,842)	--	(586,842)
--	(787,563)	--	(787,563)
--	(1,381,045)	--	(1,381,045)
--	(1,809,633)	--	(1,809,633)
<u>2,222,449</u>	<u>(2,054,583)</u>	<u>--</u>	<u>(2,054,583)</u>
<u>2,222,449</u>	<u>(8,937,625)</u>	<u>--</u>	<u>(8,937,625)</u>
--	--	(10,093)	(10,093)
--	--	398,776	398,776
--	--	229,091	229,091
<u>--</u>	<u>--</u>	<u>71,922</u>	<u>71,922</u>
<u>--</u>	<u>--</u>	<u>689,696</u>	<u>689,696</u>
<u>\$ 2,222,449</u>	<u>(8,937,625)</u>	<u>689,696</u>	<u>(8,247,929)</u>
	3,532,126	--	3,532,126
	302,604	--	302,604
	1,698,609	--	1,698,609
	297,855	--	297,855
	936,296	--	936,296
	57,012	19,510	76,522
	4,008,910	--	4,008,910
	181,625	121,505	303,130
	<u>760,750</u>	<u>(760,750)</u>	<u>--</u>
	<u>11,775,787</u>	<u>(619,735)</u>	<u>11,156,052</u>
	2,838,162	69,961	2,908,123
	<u>6,375,935</u>	<u>2,503,166</u>	<u>8,879,101</u>
	<u>\$ 9,214,097</u>	<u>\$ 2,573,127</u>	<u>\$ 11,787,224</u>

CITY OF GRINNELL, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2014

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Capital projects		
Urban renewal purposes		
Streets		
Equipment		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 508,311	\$ --	\$ 508,311
	140,143	--	140,143
	3,361,857	--	3,361,857
	197,875	--	197,875
	438,721	--	438,721
	2,393,125	--	2,393,125
	1,050,790	499,539	1,550,329
	<u>1,123,275</u>	<u>2,073,588</u>	<u>3,196,863</u>
	<u>\$ 9,214,097</u>	<u>\$ 2,573,127</u>	<u>\$ 11,787,224</u>

CITY OF GRINNELL, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	General	Special Revenue Equipment Replacement	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 2,221,374	\$ --	\$ --
Tax increment financing	--	--	1,698,609
Other city tax	39,506	--	--
Licenses and permits	71,400	--	--
Use of money and property	157,037	14,039	1,962
Intergovernmental	184,291	10,000	--
Charges for service	496,021	--	--
Miscellaneous	207,038	5,887	--
Total receipts	<u>3,376,667</u>	<u>29,926</u>	<u>1,700,571</u>
Disbursements:			
Operating:			
Public safety	1,661,867	--	--
Public works	184,170	564,018	--
Health and social services	1,000	--	--
Culture and recreation	1,065,185	--	--
Community and economic development	352,623	--	438,499
General government	432,848	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>3,697,693</u>	<u>564,018</u>	<u>438,499</u>
Excess (deficiency) of receipts over (under) disbursements	(321,026)	(534,092)	1,262,072
Other financing sources (uses):			
Debt proceeds	--	--	--
Operating transfers in	184,111	910,704	--
Operating transfers out	(5,000)	--	(1,334,644)
Total other financing sources (uses)	<u>179,111</u>	<u>910,704</u>	<u>(1,334,644)</u>
Net change in cash balances	(141,915)	376,612	(72,572)
Cash balances beginning of year	<u>1,265,190</u>	<u>2,016,513</u>	<u>270,447</u>
Cash balances end of year	<u>\$ 1,123,275</u>	<u>\$ 2,393,125</u>	<u>\$ 197,875</u>

(continued next page)

<u>Special Revenue</u>				
<u>Employee Benefit</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 1,249,005	\$ 298,223	\$ --	\$ --	\$ 3,768,602
--	--	--	--	1,698,609
22,241	4,381	--	1,234,151	1,300,279
--	--	--	--	71,400
1,895	5,641	13,486	3,373	197,433
--	--	2,014,661	929,844	3,138,796
--	--	--	--	496,021
4,307	--	200,000	45,698	462,930
<u>1,277,448</u>	<u>308,245</u>	<u>2,228,147</u>	<u>2,213,066</u>	<u>11,134,070</u>
78,986	--	--	--	1,740,853
--	--	--	897,140	1,645,328
--	--	--	--	1,000
--	--	--	28,248	1,093,433
--	--	--	290,620	1,081,742
973,780	--	--	9,919	1,416,547
--	1,809,633	--	--	1,809,633
--	--	4,277,032	--	4,277,032
<u>1,052,766</u>	<u>1,809,633</u>	<u>4,277,032</u>	<u>1,225,927</u>	<u>13,065,568</u>
224,682	(1,501,388)	(2,048,885)	987,139	(1,931,498)
--	--	4,008,910	--	4,008,910
--	1,787,504	661,548	300,000	3,843,867
(70,611)	(287,340)	(146,204)	(1,239,318)	(3,083,117)
<u>(70,611)</u>	<u>1,500,164</u>	<u>4,524,254</u>	<u>(939,318)</u>	<u>4,769,660</u>
154,071	(1,224)	2,475,369	47,821	2,838,162
<u>196,631</u>	<u>141,367</u>	<u>886,488</u>	<u>1,599,299</u>	<u>6,375,935</u>
<u>\$ 350,702</u>	<u>\$ 140,143</u>	<u>\$ 3,361,857</u>	<u>\$ 1,647,120</u>	<u>\$ 9,214,097</u>

CITY OF GRINNELL, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2014

	<u>General</u>	<u>Special Revenue</u> <u>Equipment</u> <u>Replacement</u>	<u>Urban Renewal</u> <u>Tax Increment</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Capital projects	--	--	--
Urban renewal purpose	--	--	197,875
Streets	--	--	--
Equipment	--	2,393,125	--
Other purposes	--	--	--
Unassigned	<u>1,123,275</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 1,123,275</u>	<u>\$ 2,393,125</u>	<u>\$ 197,875</u>

The accompanying notes are an integral part of these statements.

Exhibit B

<u>Special Revenue Employee Benefit</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 508,311	\$ 508,311
--	140,143	--	--	140,143
--	--	3,361,857	--	3,361,857
--	--	--	--	197,875
--	--	--	438,721	438,721
--	--	--	--	2,393,125
350,702	--	--	700,088	1,050,790
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,123,275</u>
<u>\$ 350,702</u>	<u>\$ 140,143</u>	<u>\$ 3,361,857</u>	<u>\$ 1,647,120</u>	<u>\$ 9,214,097</u>

CITY OF GRINNELL, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ 7,293
Charges for service	1,409,425	1,576,549
Total operating receipts	<u>1,409,425</u>	<u>1,583,842</u>
Operating disbursements:		
Business type activities	<u>1,308,068</u>	<u>764,118</u>
Total operating disbursements	<u>1,308,068</u>	<u>764,118</u>
Excess of operating receipts over operating disbursements	101,357	819,724
Non-operating receipts (disbursements):		
Interest on investments	2,877	9,828
Intergovernmental	--	32,615
Miscellaneous	76,495	299
Debt service	(111,450)	(453,563)
Total non-operating receipts (disbursements)	<u>(32,078)</u>	<u>(410,821)</u>
Excess of receipts over disbursements	69,279	408,903
Operating transfers out	(63,000)	(584,000)
Total operating transfers in (out), net	<u>(63,000)</u>	<u>(584,000)</u>
Net change in cash balances	6,279	(175,097)
Cash balances beginning of year	<u>286,799</u>	<u>1,339,291</u>
Cash balances end of year	<u>\$ 293,078</u>	<u>\$ 1,164,194</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 58,750	\$ 440,789
Unrestricted	<u>234,328</u>	<u>723,405</u>
Total cash basis fund balances	<u>\$ 293,078</u>	<u>\$ 1,164,194</u>

The accompanying notes are an integral part of these statements.

Solid Waste	Enterprise	
	Storm Sewer	Total
\$ --	\$ --	\$ 7,293
<u>1,158,103</u>	<u>286,827</u>	<u>4,430,904</u>
1,158,103	286,827	4,438,197
 <u>956,022</u>	 <u>214,905</u>	 <u>3,243,113</u>
<u>956,022</u>	<u>214,905</u>	<u>3,243,113</u>
 202,081	 71,922	 1,195,084
 1,634	 5,171	 19,510
27,010	--	59,625
711	44,000	121,505
<u>--</u>	<u>--</u>	<u>(565,013)</u>
<u>29,355</u>	<u>49,171</u>	<u>(364,373)</u>
 231,436	 121,093	 830,711
<u>(92,500)</u>	<u>(21,250)</u>	<u>(760,750)</u>
<u>(92,500)</u>	<u>(21,250)</u>	<u>(760,750)</u>
 138,936	 99,843	 69,961
<u>211,437</u>	<u>665,639</u>	<u>2,503,166</u>
<u>\$ 350,373</u>	<u>\$ 765,482</u>	<u>\$ 2,573,127</u>
 \$ --	 \$ --	 \$ 499,539
<u>350,373</u>	<u>765,482</u>	<u>2,073,588</u>
<u>\$ 350,373</u>	<u>\$ 765,482</u>	<u>\$ 2,573,127</u>

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grinnell, Iowa is a political subdivision of the State of Iowa located in Poweshiek County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, storm sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Grinnell has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Grinnell has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Poweshiek County Assessor's Conference Board, Poweshiek County Emergency Management Commission, and the Poweshiek County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Equipment Replacement Fund is used to account for purchase and rental of equipment.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Employee Benefits Fund is used to account for the payment of payroll taxes and other employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for the acquisition and construction of capital improvements.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation of the City's residential and commercial waste collection, composting and recycling.

The Storm Sewer Fund accounts for the operation of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City of Grinnell maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk - The City had no investments with credit risk.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,453,340	\$ 537,931	\$ 330,000	\$ 9,900	\$ 1,783,340	\$ 547,831
2016	1,539,207	466,916	--	--	1,539,207	466,916
2017	1,570,000	434,258	--	--	1,570,000	434,258
2018	1,585,000	398,538	--	--	1,585,000	398,538
2019	1,300,000	359,342	--	--	1,300,000	359,342
2020 - 2024	6,735,000	1,201,536	--	--	6,735,000	1,201,536
2025 - 2029	2,825,000	256,386	--	--	2,825,000	256,386
	<u>\$ 17,007,547</u>	<u>\$3,654,907</u>	<u>\$ 330,000</u>	<u>\$ 9,900</u>	<u>\$ 17,337,547</u>	<u>\$3,664,807</u>

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,210,000 in sewer revenue capital loan notes issued in July, 2009. Proceeds from the notes provided financing for the refunding of the City's 2003 Sewer Refunding Capital Loan Notes and fund improvements. The notes are payable solely from sewer customer net receipts and are payable through 2015. Annual principal and interest payments on the notes are expected to require less than 56 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$226,600. For the current year, principal and interest paid and total customer net receipts were approximately \$453,600 and \$819,700, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$500,000 in water revenue capital loan notes issued in July, 2009. Proceeds from the notes provided financing for water improvements. The notes are payable solely from water customer net receipts and are payable through 2015. Annual principal and interest payments on the notes are expected to require more than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$113,300. For the current year, principal and interest paid and total customer net receipts were approximately \$111,500 and \$101,400, respectively. Existing net position is used to meet debt service payments when the net receipts are not sufficient.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer and water revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Sufficient monthly transfers shall be made to sewer and water revenue note reserve accounts within the Enterprise Funds until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for principal and interest on the notes when insufficient money is available in the sinking accounts.
- (d) Additional monthly transfers of \$2,000 to a sewer revenue note improvement account within the Enterprise Fund shall be made until specific minimum balances have been accumulated. This account is restricted for the purpose of paying for principal and interest on the notes when insufficient money is available in the sinking and reserve accounts, and available for extraordinary expenses or repairs, capital improvements and extensions to the utility.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were approximately \$193,000, \$185,000, and \$169,000, respectively, equal to the required contribution for each year.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - PENSION AND RETIREMENT BENEFITS - Continued

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, can not be less than 17.0% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2014, 2013, and 2012 were approximately \$313,000, \$260,300, and \$253,800, respectively, which met the required minimum contribution for each year.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time, and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation and Comp Time	\$ 76,000
Sick Leave	<u>155,000</u>
Total	<u>\$ 231,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Hotel Motel Tax	\$ 37,500
	Employee Benefit	70,611
	Urban Renewal Tax Increment	50,000
	Enterprise:	
	Water	13,000
	Sewer	13,000
		<u>184,111</u>
Special Revenue:	Special Revenue:	
Hotel Motel Tax	Urban Renewal Tax Increment	10,000
Special Revenue:		
Local Option Sales Tax	Capital Projects	140,000
	Special Revenue:	
	Urban Renewal Tax Increment	<u>150,000</u>
		290,000
Special Revenue:	Special Revenue:	
Equipment	Urban Renewal Tax Increment	100,000
Replacement	Road Use	81,000
	Capital Projects	6,204
	Enterprise:	
	Sewer	571,000
	Solid Waste	92,500
	Water	50,000
	Storm Sewer	<u>10,000</u>
		910,704
Debt Service	Special Revenue:	
	Local Option Sales Tax	992,568
	Urban Renewal Tax Increment	<u>794,936</u>
		1,787,504
Capital Projects	General	5,000
	Special Revenue:	
	Hotel Motel Tax	117,000
	Urban Renewal Tax Increment	229,708
	Road Use	11,250
	Debt Service	287,340
	Enterprise:	
	Storm Sewer	<u>11,250</u>
		<u>661,548</u>
		<u>\$ 3,843,867</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were approximately \$165,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with airport liability, construction risk, volunteer coverage, workers' compensation, and employee blanket bond. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical benefits for employees and retirees. There are 56 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with a commercial insurance carrier. Retirees under age 65 pay the same premium for the medical benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$583 for single coverage and \$1,361 for family coverage. For the year ended June 30, 2014, the City contributed \$571,655 and plan members eligible for benefits contributed \$78,440 to the plan.

CITY OF GRINNELL, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - DEFICIT BALANCE

The I-80 Interchange Project fund and Brownell's I-80 Project fund reported as part of the Capital Projects fund had deficit balances at June 30, 2014 in the amount of \$113,032 and \$180,175, respectively. The deficit balances were a result of project costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of grant reimbursement.

NOTE 10 - SUBSEQUENT EVENTS

Advance Refund of Debt

In September, 2014, the City issued \$5,995,000 of General Obligation Local Option Sales and Services Tax Refunding Capital Loan Notes for the purpose of advance refunding a portion of the 2008 Local Option Sales Tax Bonds.

Subsequent Events

The City has evaluated all subsequent events through November 13, 2014, the date the financial statements were available to be issued.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Construction Contracts

The City has entered into several construction contracts that are still in process as of June 30, 2014. The net remaining amount committed to these contracts is approximately \$4,950,000, which will be paid with existing capital project funds, local option sales tax revenue, tax increment financing revenues, grant proceeds, and donations.

NOTE 12 - PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

* * *

OTHER INFORMATION

CITY OF GRINNELL, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 3,768,602	\$ --	\$ 3,768,602
Tax increment financing	1,698,609	--	1,698,609
Other city tax	1,300,279	--	1,300,279
Licenses and permits	71,400	--	71,400
Use of money and property	197,433	26,803	224,236
Intergovernmental	3,138,796	59,625	3,198,421
Charges for service	496,021	4,430,904	4,926,925
Miscellaneous	462,930	121,505	584,435
Total receipts	<u>11,134,070</u>	<u>4,638,837</u>	<u>15,772,907</u>
Disbursements:			
Public safety	1,740,853	--	1,740,853
Public works	1,645,328	--	1,645,328
Health and social services	1,000	--	1,000
Culture and recreation	1,093,433	--	1,093,433
Community and economic development	1,081,742	--	1,081,742
General government	1,416,547	--	1,416,547
Debt service	1,809,633	--	1,809,633
Capital projects	4,277,032	--	4,277,032
Business type activities	--	3,808,126	3,808,126
Total disbursements	<u>13,065,568</u>	<u>3,808,126</u>	<u>16,873,694</u>
Excess (deficiency) of receipts over (under) disbursements	(1,931,498)	830,711	(1,100,787)
Other financing sources (uses), net	<u>4,769,660</u>	<u>(760,750)</u>	<u>4,008,910</u>
Excess of receipts and other financing sources over disbursements and other financing uses	2,838,162	69,961	2,908,123
Balances beginning of year	<u>6,375,935</u>	<u>2,503,166</u>	<u>8,879,101</u>
Balances end of year	<u>\$ 9,214,097</u>	<u>\$ 2,573,127</u>	<u>\$ 11,787,224</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total
Original	Final	Variance
\$ 3,762,511	\$ 3,761,923	\$ 6,679
1,706,697	1,706,697	(8,088)
1,346,080	1,346,905	(46,626)
73,350	73,783	(2,383)
213,551	222,725	1,511
4,243,161	4,039,256	(840,835)
5,046,964	4,897,384	29,541
1,706,667	1,813,635	(1,229,200)
<u>18,098,981</u>	<u>17,862,308</u>	<u>(2,089,401)</u>
2,113,181	2,056,403	315,550
1,837,619	1,853,229	207,901
2,000	2,000	1,000
1,175,590	1,225,182	131,749
1,136,422	1,354,188	272,446
1,755,964	1,824,322	407,775
1,802,135	1,810,135	502
5,074,786	5,175,571	898,539
5,135,973	4,922,970	1,114,844
<u>20,033,670</u>	<u>20,224,000</u>	<u>3,350,306</u>
(1,934,689)	(2,361,692)	1,260,905
<u>3,311,001</u>	<u>4,008,910</u>	<u>--</u>
1,376,312	1,647,218	1,260,905
<u>7,715,020</u>	<u>8,879,110</u>	<u>(9)</u>
<u>\$ 9,091,332</u>	<u>\$ 10,526,328</u>	<u>\$ 1,260,896</u>

CITY OF GRINNELL, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$190,330. The budget amendment is reflected in the final budgeted amount.

SUPPLEMENTARY INFORMATION

CITY OF GRINNELL, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

		Special Revenue	
	Road Use	Local Option Sales Tax	Unemployment Reserve
Receipts:			
Other City tax	\$ --	\$ 936,296	\$ --
Use of money and property	--	1,038	156
Intergovernmental	920,454	--	--
Miscellaneous	--	--	--
Total receipts	<u>920,454</u>	<u>937,334</u>	<u>156</u>
Disbursements:			
Operating:			
Public works	897,140	--	--
Culture and recreation	--	--	--
Community and economic development	--	115,912	--
General government	--	--	--
Total disbursements	<u>897,140</u>	<u>115,912</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	23,314	821,422	156
Other financing sources (uses):			
Operating transfers in	--	290,000	--
Operating transfers out	(92,250)	(992,568)	--
Total other financing sources (uses)	<u>(92,250)</u>	<u>(702,568)</u>	<u>--</u>
Net change in cash balances	(68,936)	118,854	156
Cash balances beginning of year	<u>507,657</u>	<u>221,908</u>	<u>24,484</u>
Cash balances end of year	<u>\$ 438,721</u>	<u>\$ 340,762</u>	<u>\$ 24,640</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Streets	438,721	--	--
Other purposes	<u>--</u>	<u>340,762</u>	<u>24,640</u>
Total cash basis fund balances	<u>\$ 438,721</u>	<u>\$ 340,762</u>	<u>\$ 24,640</u>

(continued next page)

Special Revenue			
Insurance Deductible	Insurance Reserve	Insurance Escrow	Hotel Motel Tax
\$ --	\$ --	\$ --	\$ 297,855
441	334	--	1,192
--	--	--	--
--	7,388	--	1,900
<u>441</u>	<u>7,722</u>	<u>--</u>	<u>300,947</u>
--	--	--	--
--	--	--	--
--	--	--	174,708
<u>632</u>	<u>9,287</u>	<u>--</u>	<u>--</u>
<u>632</u>	<u>9,287</u>	<u>--</u>	<u>174,708</u>
(191)	(1,565)	--	126,239
--	--	--	10,000
<u>--</u>	<u>--</u>	<u>--</u>	<u>(154,500)</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>(144,500)</u>
(191)	(1,565)	--	(18,261)
<u>68,941</u>	<u>53,462</u>	<u>9,790</u>	<u>164,369</u>
<u>\$ 68,750</u>	<u>\$ 51,897</u>	<u>\$ 9,790</u>	<u>\$ 146,108</u>
\$ --	\$ --	\$ --	\$ --
--	--	--	--
<u>68,750</u>	<u>51,897</u>	<u>9,790</u>	<u>146,108</u>
<u>\$ 68,750</u>	<u>\$ 51,897</u>	<u>\$ 9,790</u>	<u>\$ 146,108</u>

CITY OF GRINNELL, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2014

	<u>Special Revenue Library Gifts</u>	<u>Permanent Cemetery Perpetual Care</u>
Receipts:		
Other City tax	\$ --	\$ --
Use of money and property	212	--
Intergovernmental	9,390	--
Miscellaneous	<u>32,711</u>	<u>3,649</u>
Total receipts	42,313	3,649
Disbursements:		
Operating:		
Public works	--	--
Culture and recreation	28,248	--
Community and economic development	--	--
General government	<u>--</u>	<u>--</u>
Total disbursements	28,248	--
Excess (deficiency) of receipts over (under) disbursements	14,065	3,649
Other financing sources (uses):		
Operating transfers in	--	--
Operating transfers out	<u>--</u>	<u>--</u>
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in cash balances	14,065	3,649
Cash balances beginning of year	<u>44,076</u>	<u>501,602</u>
Cash balances end of year	<u>\$ 58,141</u>	<u>\$ 505,251</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ 505,251
Restricted for:		
Streets	--	--
Other purposes	<u>58,141</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 58,141</u>	<u>\$ 505,251</u>

See accompanying independent auditor's report.

<u>Permanent Cemetery Trees</u>	<u>Total</u>
\$ --	\$ 1,234,151
--	3,373
--	929,844
<u>50</u>	<u>45,698</u>
50	2,213,066
--	897,140
--	28,248
--	290,620
<u>--</u>	<u>9,919</u>
--	<u>1,225,927</u>
50	987,139
--	300,000
<u>--</u>	<u>(1,239,318)</u>
--	<u>(939,318)</u>
50	47,821
<u>3,010</u>	<u>1,599,299</u>
<u>\$ 3,060</u>	<u>\$ 1,647,120</u>
\$ 3,060	\$ 508,311
--	438,721
<u>--</u>	<u>700,088</u>
<u>\$ 3,060</u>	<u>\$ 1,647,120</u>

CITY OF GRINNELL, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes and Bonds:			
2006 B Capital Loan Note	May 15, 2006	6.50%	\$ 108,755
2008 Refunding Capital Loan Notes	April 1, 2008	4.40%	200,000
2008 Local Option Sales Tax Bonds	May 1, 2008	3.75 - 4.00%	6,500,000
2009 Local Option Sales Tax Bonds	February 1, 2009	2.40 - 3.80%	3,700,000
2009 Urban Renewal Refunding Bonds	October 1, 2009	2.25 - 4.45%	1,900,000
2010 Urban Renewal Refunding Bonds	April 1, 2010	1.00 - 1.80%	2,315,000
2011 Urban Renewal Refunding Bonds	December 1, 2011	.5 - 1.45%	2,765,000
2013 Urban Renewal Refunding Bonds	December 19, 2013	1.00-2.00%	280,000
2013 Urban Renewal Refunding Bonds	December 19, 2013	2.00-2.55%	3,720,000
Total General Obligation Notes and Bonds			
Revenue Notes:			
2009 Water Revenue Capital Loan Note Series A	July 1, 2009	3.00%	500,000
2009 Sewer Revenue Capital Loan Note Series B	July 1, 2009	2.75 - 3.00%	2,210,000
Total Revenue Notes			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 40,073	\$ --	\$ 12,526	\$ 27,547	\$ 2,605	\$ 147
165,000	--	25,000	140,000	7,260	506
6,500,000	--	--	6,500,000	252,125	21,010
2,340,000	--	495,000	1,845,000	78,580	5,311
1,595,000	--	110,000	1,485,000	54,862	4,343
960,000	--	475,000	485,000	15,855	728
2,765,000	--	240,000	2,525,000	30,320	2,427
--	280,000	--	280,000	--	606
--	<u>3,720,000</u>	--	<u>3,720,000</u>	--	<u>12,953</u>
<u>\$14,365,073</u>	<u>\$4,000,000</u>	<u>\$1,357,526</u>	<u>\$ 17,007,547</u>	<u>\$ 441,607</u>	<u>\$ 48,031</u>
\$ 215,000	\$ --	\$ 105,000	\$ 110,000	\$ 6,450	\$ 275
<u>655,000</u>	<u>--</u>	<u>435,000</u>	<u>220,000</u>	<u>18,563</u>	<u>550</u>
<u>\$ 870,000</u>	<u>\$ --</u>	<u>\$ 540,000</u>	<u>\$ 330,000</u>	<u>\$ 25,013</u>	<u>\$ 825</u>

CITY OF GRINNELL, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

General Obligation Bonds and Notes

Year ending June 30,	General Obligation Bonds and Notes					
	2006 B Capital Loan Note		2008 Local Option Sales Tax Bonds		2008 Refunding Capital Loan Notes	
	Issued May 15, 2006		Issued May 1, 2008		Issued April 1, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	6.50%	\$ 13,340	--	\$ --	4.40%	\$ 25,000
2016	6.50	14,207	--	--	4.40	65,000
2017			--	--	4.40	25,000
2018			3.75	340,000	4.40	25,000
2019			3.75	570,000		
2020			3.75	595,000		
2021			3.75	625,000		
2022			3.88	650,000		
2023			3.88	680,000		
2024			3.88	710,000		
2025			4.00	745,000		
2026			4.00	775,000		
2027			4.00	810,000		
2028						
2029						
		<u>\$ 27,547</u>		<u>\$6,500,000</u>		<u>\$ 140,000</u>

Revenue Notes

Year ending June 30,	Revenue Notes				
	2009 Sewer Revenue Capital Loan Note		2009 Water Revenue Capital Loan Note		Total
	Issued July 1, 2009		Issued July 1, 2009		
	Interest Rates	Amount	Interest Rates	Amount	
2015	3.00%	\$ 220,000	3.00%	\$ 110,000	\$ 330,000

(continued next page)

General Obligation Bonds and Notes

2009 Local Option Sales Tax Bonds		2009 Urban Renewal Bonds		2010 Urban Renewal Bonds		2011 Urban Renewal Bonds	
Issued February 1, 2009		Issued October 1, 2009		Issued April 1, 2010		Issued December 1, 2011	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rate	Amount
3.20%	\$ 515,000	2.50%	\$ 120,000	1.80%	\$ 485,000	0.70%	\$ 215,000
3.40	540,000	2.50	120,000			0.90	710,000
3.60	565,000	3.00	130,000			1.20	790,000
3.80	225,000	3.00	135,000			1.45	810,000
		3.00	140,000				
		3.20	145,000				
		--	--				
		--	--				
		4.00	200,000				
		--	--				
		4.20	150,000				
		--	--				
		4.25	165,000				
		--	--				
		4.45	180,000				
	<u>\$1,845,000</u>		<u>\$1,485,000</u>		<u>\$ 485,000</u>		<u>\$2,525,000</u>

CITY OF GRINNELL, IOWA
BOND AND NOTE MATURITIES - Continued
June 30, 2014

Year ending June 30,	General Obligation Bonds and Notes					Total
	2013 Urban		2013 Urban			
	Renewal Bonds		Renewal Bonds			
	Issued		Issued			
	December 19, 2013		December 19, 2013			
	Interest Rates	Amount	Interest Rates	Amount		
2015	-- %	\$ --	1.00%	\$ 80,000	\$ 1,453,340	
2016	--	--	1.25	90,000	1,539,207	
2017	--	--	1.50	60,000	1,570,000	
2018	--	--	2.00	50,000	1,585,000	
2019	2.00%	590,000			1,300,000	
2020	2.00	600,000			1,340,000	
2021	2.00	610,000			1,235,000	
2022	2.25	625,000			1,275,000	
2023	2.35	640,000			1,520,000	
2024	2.55	655,000			1,365,000	
2025					895,000	
2026					775,000	
2027					975,000	
2028					--	
2029					180,000	
		<u>\$3,720,000</u>		<u>\$ 280,000</u>	<u>\$ 17,007,547</u>	

See accompanying independent auditor's report.

CITY OF GRINNELL, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 3,768,602	\$ 3,699,917	\$ 3,721,305	\$ 3,603,350
Tax increment financing	1,698,609	1,725,321	1,403,920	1,512,596
Other city tax	1,300,279	1,187,763	1,411,015	1,154,105
Licenses and permits	71,400	70,729	78,285	70,828
Use of money and property	197,433	213,365	172,776	202,269
Intergovernmental	3,138,796	1,793,317	3,085,054	2,868,686
Charges for service	496,021	441,162	478,716	525,196
Special assessments	--	--	5,612	--
Miscellaneous	<u>462,930</u>	<u>1,729,822</u>	<u>2,625,965</u>	<u>3,025,026</u>
Total	<u>\$ 11,134,070</u>	<u>\$ 10,861,396</u>	<u>\$ 12,982,648</u>	<u>\$ 12,962,056</u>
Disbursements:				
Operating:				
Public safety	\$ 1,740,853	\$ 1,721,070	\$ 1,983,835	\$ 1,907,607
Public works	1,645,328	1,276,745	1,260,714	1,117,766
Health and social services	1,000	1,620	898	972
Culture and recreation	1,093,433	1,080,732	1,054,957	1,124,820
Community and economic development	1,081,742	1,232,641	811,409	791,112
General government	1,416,547	1,365,377	1,192,906	1,107,407
Debt service	1,809,633	1,827,961	4,405,315	1,737,290
Capital projects	<u>4,277,032</u>	<u>1,800,931</u>	<u>4,934,388</u>	<u>5,177,493</u>
Total	<u>\$ 13,065,568</u>	<u>\$ 10,307,077</u>	<u>\$ 15,644,422</u>	<u>\$ 12,964,467</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 3,452,308	\$ 3,366,606	\$ 3,087,015	\$ 2,999,391	\$ 3,056,035	\$ 3,070,756
1,376,451	1,126,535	922,033	868,911	503,377	495,897
1,128,032	1,131,921	1,386,718	8,125	70,911	61,123
73,202	70,469	60,571	3,619	14,309	19,090
293,896	326,197	249,572	207,611	123,410	110,910
2,447,855	2,249,586	2,167,720	1,764,014	2,864,425	1,053,762
307,633	196,393	468,998	189,815	221,497	258,076
--	--	848	6,629	15,039	2,133
<u>1,682,009</u>	<u>3,568,962</u>	<u>629,659</u>	<u>2,603,867</u>	<u>1,290,592</u>	<u>1,417,407</u>
<u>\$ 10,761,386</u>	<u>\$ 12,036,669</u>	<u>\$ 8,973,134</u>	<u>\$ 8,651,982</u>	<u>\$ 8,159,595</u>	<u>\$ 6,489,154</u>
\$ 1,716,902	\$ 1,597,813	\$ 1,595,471	\$ 1,813,974	\$ 1,768,132	\$ 1,632,680
1,187,834	1,009,404	1,625,587	1,722,727	778,029	676,135
11,285	--	--	--	--	--
1,042,095	946,258	826,726	1,084,280	876,011	767,961
884,813	924,032	1,064,758	1,874,595	974,415	667,509
1,044,360	1,029,102	1,004,039	962,178	1,037,363	904,880
3,417,738	940,726	509,432	356,601	696,402	949,402
<u>11,310,062</u>	<u>11,624,953</u>	<u>5,434,166</u>	<u>2,302,993</u>	<u>6,303,046</u>	<u>2,065,574</u>
<u>\$ 20,615,089</u>	<u>\$ 18,072,288</u>	<u>\$ 12,060,179</u>	<u>\$ 10,117,348</u>	<u>\$ 12,433,398</u>	<u>\$ 7,664,141</u>

CITY OF GRINNELL, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Institute of Museum and Library Services:			
Laura Bush 21 st Century Librarian Program	45.313		\$ 990
U.S. Department of Transportation:			
Federal Aviation Administration			
Airport Improvement Program	20.106	3-19-0039-12-2013	<u>168,064</u>
Total direct			169,054
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1426	64,236
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	Task 26-40-01	3,159
State and Community Highway Safety	20.600	Task 26-40-00	<u>490</u>
			3,649
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-146-2(32)-71-79	<u>857,866</u>

(continued next page)

CITY OF GRINNELL, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant Program	14.228	11-HSG-021	\$ <u>81,495</u>
Total indirect			<u>1,007,246</u>
			<u>\$ 1,176,300</u>

Basis of Presentation -The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Grinnell and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation, of the basic financial statements.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Grinnell, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 13, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grinnell's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Grinnell's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Grinnell's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Grinnell's financial statements will not be prevented or detected and corrected on a timely basis.

To the Honorable Mayor and
Members of the City Council

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 14-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grinnell's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Grinnell's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Grinnell's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grinnell, Ben, Kyhn & Co. P.C.

Atlantic, Iowa
November 13, 2014

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Grinnell, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Grinnell's major federal program for the year ended June 30, 2014. The City of Grinnell's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Grinnell's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grinnell's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Grinnell's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on Each Major Federal Program

In our opinion, the City of Grinnell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Grinnell is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Grinnell's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Grinnell's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

The City of Grinnell's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of Grinnell's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Grinnell, Ben, Kuhn & P.C.

Atlantic, Iowa
November 13, 2014

CITY OF GRINNELL, IOWA

Schedule Of Findings And Questioned Costs

Year ended June 30, 2014

PART I: Summary of the Independent Auditor's Results

Financial Statements

(a) Type of auditor's report issued:

- Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

(b) Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

(c) Noncompliance material to financial statements noted?

 yes X no

Federal Awards

(d) Internal control over major program:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

(e) Type of auditor's report issued on compliance for major program:

- Unmodified.

(f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133?

 yes X no

(g) Identification of major program:

- CFDA Number 20.205 - Highway Planning and Construction

(h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

(i) Auditee qualified as low-risk auditee?

 X yes no

CITY OF GRINNELL, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

14-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF GRINNELL, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART III: Findings and Questioned Costs For Federal Awards

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction
Contract Numbers: HDP-146-2(32)-71-79
Federal Award Year: 2011
U.S. Department of Transportation

- 14-III-A Segregation of Duties over Federal Programs: The City did not properly segregate all accounting and financial reporting duties, including those related to federal programs. See item 14-II-A.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Statutory Reporting

- 14-IV-A Certified Budget: Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- 14-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 14-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.
- 14-IV-D Business Transactions: In accordance with Chapter 362.5 of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.
- 14-IV-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 14-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 14-IV-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

CITY OF GRINNELL, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART IV: Other Findings Related to Statutory Reporting - Continued

14-IV-H Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.

14-IV-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

14-IV-J Financial Condition: The following funds had deficit balances at June 30, 2014.

Capital projects:

I-80 Interchange Project	\$ 113,032
Brownell's I-80 Project	180,175

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response: The deficit fund balances will be eliminated during fiscal year 2015.

Conclusion: Response accepted.

* * *